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PERFORMANCE AUDITING IN SUNNYVALE

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*Sunnyvale. [City manager]
Admin. Methods Sunnyvale
Labor prod. Cost accounting
Human admin. Sunnyvale*



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PERFORMANCE AUDITING IN SUNNYVALE

A 1973 Lewis Harris poll asked the general public their impressions of the productivity of different people. Government workers ranked next to last. The Bureau of Labor Statistics projects a 30% increase in state and local government jobs by 1985. What are these local government workers doing? A lot of people are interested in this question. Policy makers, managers, federal and state officials and citizens agree that the local government dollar should be well spent, but are less sure about ways to make that happen.

Today's interest in local government productivity is greater than the knowledge. In fact, the Urban Institute said two years ago in the conclusion of a study for the National Commission on Productivity that the main thing to be said about local government productivity is that little is known about it.

It could not find a single local government function for which comparable, meaningful productivity data could be calculated. Performance auditing is a way to provide this kind of information.

Performance auditing places a new premium on economy of resources, on innovation, and on information. It examines what processes should be followed in setting and meeting standards.

Like most cities, Sunnyvale is looking for better ways of measuring performance: measures that aid managers, assist

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policy makers, and help citizens. Performance auditing in Sunnyvale improves measures by developing objective standards and establishing procedures for relating performance to those standards.

Sunnyvale began its formal work with performance auditing in the fall of 1973. Sunnyvale worked with a private accounting firm Peat, Marwick, Mitchell & Co. (PMM & Co.) and the federal General Accounting Office (GAO) to develop an audit guide that would be understandable, useful, and applicable to other public safety organizations and cities. Sunnyvale was one of fourteen cities to participate in performance auditing pilot project sponsored by the International City Management Association (ICMA) and the General Accounting Office.

PERFORMANCE AUDIT DEFINED

Performance auditing as defined in the 1972 Standards for Audit of Governmental Organizations, Programs, Activities, and Functions (SAGOPAF) contains the following elements:

1. financial and legal compliance - determines:
 - (a) whether financial operations are properly conducted
 - (b) whether the financial reports of an audited entity are presented fairly, and
 - (c) whether the entity has complied with applicable laws and regulations
2. economy and efficiency - determines:
 - (a) whether the entity is managing or utilizing its resources (personnel, property, space and so forth) in an economical and efficient manner, and
 - (b) identifies the causes of any inefficiencies or uneconomical practices (including inadequacies in management information systems, administrative procedures, or organizational structure)

3. program results - determines:

- (a) whether the desired results or benefits are being achieved,
- (b) whether the objectives established by the legislature or other authorizing body are met, and
- (c) whether the agency has considered alternatives which might yield desired results at a lower cost.

SUNNYVALE'S INVOLVEMENT

There are three reasons Sunnyvale tried the performance audit:

- (1) to pre-test national standards for local government,
- (2) to better define goals and measure progress toward meeting these goals, and
- (3) to improve performance, productivity, and quality of municipal services.

One reason for experimenting with performance auditing was to test the standards proposed by GAO in SAGOPAF. Sunnyvale had worked with ICMA in examining national standards and their implications for federal-city relationships, intra-city comparisons, and accountability to citizens. When ICMA and GAO decided to run pilot projects in several cities, Sunnyvale saw a way to test the standards and develop a workable way of applying them.

Second, Sunnyvale saw performance auditing as an essential step in a goals setting process. Goals and effectiveness measures are pre-requisites for performance auditing.

Thirdly, setting meaningful, measurable objectives is a basic element of improving performance, productivity, and the quality of municipal services. Measuring productivity is not the same as improving it, but it is a necessary first step.

Sunnyvale, as most other cities, is used to financial and legal audits. They are an inherent part of municipal operation.

Sunnyvale's project was built upon seven years of experience with computer-based management information systems and comprehensive, operational PPBS budgeting systems. During the past seven years, Sunnyvale has also worked to define and measure economy and efficiency. Sunnyvale has an eight-year program budget with unit costs, quality goals (effectiveness measures), and a production plan determined for each program.

Sunnyvale's weakest suit of the three necessary for performance auditing was measuring program results. The impact of governmental services on the community is not known. The clientele for services is not clearly identified. Goals are frequently not measured or measurable. Performance auditing focuses on these problems.

PROJECT OUTLINE

Sunnyvale, PMM & Co., and the GAO spent ten months developing the performance audit guide and procedures for the public safety function.

The following timetable outlines the activities of those months. There were three phases to the project:

- Phase I: Preliminary Survey
- Phase II: Audit Approach
- Phase III: Audit Guide

TIMETABLE

PHASE I: Preliminary Survey
TIME: 2 months (November 1973 - January 1974)
PRODUCT: Goal Classification

November 6, 1973

City Council approved recommendation for developing a performance audit and working with PMM & Co. and GAO

November 9, 1973	Meeting with GAO, PMM & Co., National Commission on Productivity, Sunnyvale administrative and public safety staff to define responsibility and preliminary project timetable
December 5, 1973	Meeting with GAO, PMM & Co., and Sunnyvale (public safety & administration) to review goals and project work program
December 10, 1973	Official Start of Project
December 10 - January 15, 1974	Staff from GAO & PMM & Co.: (a) Review goals to determine: (1) whether any goals need to be revised, deleted or added (2) whether any existing goals are not auditable (3) whether any norms or standards exist which correspond to goals (b) Review production plan for inconsistencies with quality goals (c) Review information systems
January 15, 1974	Initial Identification of Goals and Indicators - each existing goal and indicator in public safety coded as: (S) suitable (P) preferred (C) required for compliance audit (U) unsuitable * not presently auditable
January 15, 1974	Progress meeting with GAO, PMM & Sunnyvale staff - 1) proposed report and audit format and terminology 2) discussed indicators and goals 3) identified problem areas

July 24, 1974	Final meeting with PMM and all department directors, preliminary review of program, goals, and management information system. Discussion of possibility of performance auditing in all city departments.
July 25, 1974	PMM responds to GAO on suggested changes
July 30, 1974	Revisions to Audit Program and definitions of terms
September 24, 1974	Final project report and Audit Guide submitted to city council
September 26, 1974	Submission of Final Report and Audit Guide to ICMA and GAO

During the first phase of the project, there were several meetings with the federal government (GAO), accounting firm (PMM & Co.), and Sunnyvale staff to define responsibilities, and develop a work plan for the project. Both GAO and PMM & Co. sent research teams to the city for two months. During that time as many as eight people reviewed budgets, information systems, goals, operational procedures, and organization. They interviewed Sunnyvale staff and had the opportunity to daily observe the public safety programs. The product at the end of the preliminary survey was goal classification. Each goal was examined to see if it reflected program activity, was measurable and objective, was related to national standards or norms when appropriate, and was presently monitored by the management information system.

During the second phase the auditors from GAO and PMM developed an audit approach and gave the Sunnyvale staff a draft audit guide to review.

There are nine public safety programs. There is an average of five quality goals per program. The draft audit guide outlined the

audit steps for a performance audit. First, for each goal, indicators are determined. Indicators are what is examined to see if the goal is met. Second, the validity of the data is determined. Then the information system is checked and lastly, the actual recorded events are compared to the stated quality goals.

An example of the audit guide from the Patrol Services Program is as follows:

Quality Goal: Respond to emergency calls for service within five minutes 95% of the time.

Audit Guide:

- 1) Determine the time frames used in measuring this response time - the time frame should be from the time the call was received, to the time that the patrol unit arrived on the scene.
- 2) Obtain a printout of all emergency calls for patrol services received for 28 randomly selected days within the past 90 days.
- 3) Compare data on the printout to the dispatch cards on file for these 28 days to assure that the recorded data are accurate.
- 4) Compute the average response time and determine whether the stated goal was met.

The review of the audit approach is the third phase of the performance audit project. During these six months, the auditors from GAO and PMM & Co. and the Sunnyvale staff re-examined the goals and indicators.

The project was completed in September 1974 with the submission of the audit guide to the Sunnyvale city council, ICMA, and GAO.

PMM will conduct Sunnyvale's first formal performance audit of the public safety function at the end of the fiscal year 1975, in conjunction with the regular financial audit.

PROJECT IMPACT

Sunnyvale has benefited from the project and the audit guide. Goals are better defined, effectiveness measures make more sense and information systems are sharper. Many areas needing more information and better or different sources of information are identified. The methodology is useful and is being used.

The goals for public safety established in the performance audit process were an official part of the city council's resource allocation plan for 1974-75. Team captains, lieutenants and public safety officers worked together to formulate goals that are incorporated in the resource allocation plan for fiscal year 1975-76.

Progress toward meeting those goals is monitored and entered daily in the EDP information system. There are staff audits of performance every 28 days. Public safety team captains review progress toward meeting goals with the officers they supervise. Every three months a summary report is given to the director of public safety for review. The performance audit methodology is being used for management and control.

The full impact of the project, however, goes beyond the public safety function. Sunnyvale realized that the determination of goals is crucial to performance auditing. To augment the goal setting process by involving citizens, the performance audit project was linked to a citizen survey project.

The survey covered all city services and was designed to get citizen opinion of the quality and the importance of city services. It also tested service options so that people could state their goals for new services.

For example, the public safety response time goal was translated into a response time question in the questionnaire. Citizens were asked about satisfactory non-emergency response times, since non-emergency calls impact emergency response times.

The question and results are shown below:

Usually people think of calling the Public Safety Department because of crimes, prowlers or other things that need immediate action.

I am going to read a list of other possible reasons you might call the Sunnyvale Public Safety Department. For each situation, please tell me how long you think it would be reasonable to wait for a Public Safety Officer to arrive on the scene: 5 minutes, 10 minutes, 15-20 minutes, half an hour, or one hour.

	<u>5</u>	<u>10</u>	<u>15-20</u>	<u>30</u>	<u>60</u>	<u>Wouldn't call police for this</u>
You are involved in a traffic accident with no injuries	14%	31%	41%	10%	2%	2%
Your neighbors are engaging in a loud fight	21%	28%	21%	9%	2%	20%
You come back from vacation and find your house has been burglarized.	19%	20%	22%	20%	17%	1%
Your neighbors are having a loud party after 10 p.m.	.7%	15%	23%	11%	4%	40%
You're annoyed by a barking dog	.4%	11%	18%	15%	7%	45%

Public safety goals for keeping the city safe were translated into a similar survey question:

Turning now to public safety (police and fire protection, in other words): How safe would you feel walking alone in this neighborhood at night -- very safe, reasonably safe, or not safe at all.

VERY SAFE 35%
 REASONABLY SAFE 45%
 NOT SAFE AT ALL 18%
 DON'T KNOW 2%

Other service goals of city programs were also tested in November, 1974, by Field Research Corporation in half-hour interviews with a scientific sample of 653 citizens.

On Saturday, January 18, 1975, the city held a day-long workshop on the survey results. Five hundred and fifty (550) citizens came to discuss the issues; 250 people then signed up to work on ten task forces: child care, citizen participation, economic development, housing, library, open space, public safety and emergency medical services, recreation, transportation, and waste treatment.

In the next six weeks, there were 94 task force meetings. Each task force had a council member liaison and city staff support.

In March, each task force submitted to the city council a detailed task force report with specific recommendations, complete with cost estimates and revenue sources.

The information from the survey, workshop, and task forces is incorporated in the 1975-76 resource allocation plan. The proposals are to be submitted in May as a supplement to the regular resource allocation plan for council action.

The performance audit concept is also impacting employee evaluation. The city is instituting an employee achievement plan followed by a plan audit as the basis for evaluating employee performance. Program goals are discussed in terms of the individual employee's responsibility in meeting them. The employee and supervisor work together to formulate the plan.

During the next year, Sunnyvale hopes to develop performance audit guides for all city services.

REACTIONS AND ASSESSMENTS

Performance auditing requires careful thinking. It is not so much a check of the past as a planning for the future. It is more analysis than audit, and as such requires examinations of alternatives and options.

Sunnyvale experience shows that performance auditing is still in the pioneering phase. Few norms exist for city services and much training is needed on the goal setting process.

Sunnyvale is exploring the relationship of performance auditing to flexibility in policy analysis. Once the goals are committed to paper, they must still be responsive to changing conditions.

Even at the developmental stage performance auditing is useful.

The process helps refine existing goals and effectiveness measures and develop new ones. Performance auditing is a good basis for resource allocation. It defines responsibilities so that the budget is a stronger planning and control document. It also identifies strengths and weaknesses in the information system.

The concept and methodology of performance auditing is sound. Much remains to be done, particularly on the development of standards. Performance auditing is one way to determine productivity, innovation, and impact. Performance auditing is not an extra frill tacked on to a governmental operation. It involves the substance of the organization. It will take more training of personnel, better information systems, and improved goal setting processes to fully utilize performance auditing. The next steps Sunnyvale is taking are in that direction.

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